

Functional Series 600 – Budget and Finance
ADS 621 – Obligations

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ADS 621 – Obligations

621.1 OVERVIEW

This chapter provides the policy directives and required procedures for the [obligation](#) and management of funds appropriated to the Agency. It incorporates statutory requirements and Federal guidelines to ensure that USAID obligations are valid and managed in accordance with sound financial management principles.

621.2 PRIMARY RESPONSIBILITIES

- a. **The Chief Financial Officer (CFO)** is responsible for
 - Developing and maintaining an integrated financial management system that meets Federal financial system requirements;
 - Providing an annual certification to the Department of Treasury (see [621.3.16](#));
 - Monitoring and reporting to the Department of Treasury on the Agency's pipeline; and
 - Developing financial management policies and procedures.
- b. **Assistant Administrators (AAs) and Independent Office Directors** are responsible for
 - Providing an annual certification to the CFO each year in October on the validity of USAID/W obligations incurred by the Bureau or Office;
 - Providing an annual certification to the CFO each year in October on the status of unexpended balances in USAID/W obligations; and
 - Ensuring that effective procedures are in place for the management of Bureau or Office obligations.
- c. **Mission Directors** are responsible for
 - Providing an annual certification to the CFO each year in October on the status of unexpended balances in Mission obligations; and
 - Ensuring that effective procedures are in place for the management of Mission obligations.
- d. **Bureau for Management Office Directors with obligating authority** are responsible for

- Providing an annual certification to the CFO each year in October on the validity of obligations incurred by the Office; and
- *Ensuring that effective procedures are in place for the management of Office obligations.

e. Mission Controllers are responsible for

- *Providing an annual certification to the CFO each year in October on the validity of Mission obligations;
- Recording Mission [commitments](#) and obligations in the accounting system;
- Maintaining official files and related documentation for Mission obligations;
- *Coordinating at least annually a Mission-wide review of all unexpended obligations to identify excess and unneeded balances for potential [deobligation](#) (see [ADS 202](#), Achieving, and Internal Mandatory Reference, [Deobligation Guidebook](#));
- *Developing procedures for obligations monitoring and ensuring that proper controls are in place and are effectively implemented in support of the Controller's and Mission Director's annual certifications;
- *Coordinating with [Obligation Managers](#) (e.g., Cognizant Technical Officers (CTOs)), authorized obligating personnel, and Program Offices to ensure proper monitoring of pipelines and forward funding policies (see [ADS 602](#) Forward Funding of Program Funds, and [ADS 603](#), Forward Funding, Non-Program Funds);
- *Properly designating and authorizing Controller Office staff to deobligate [residual funds](#) in old obligations such as Travel Authorizations/Orders (TAs) and Purchase Orders (POs) and ensuring that these deobligations are made on a timely basis (see [621.3.9](#));
- *Ensuring that obligations, commitments, and adjustments are properly authorized before being recorded in the accounting system;
- *Monitoring, in coordination with Program Offices, the crosswalk of projects to Strategic Objectives (SOs);
- *Ensuring the availability of funds, use of the proper [appropriation](#) account (in coordination with the Program Office), and the integrity of data recorded in the accounting system; and

*An asterisk indicates that the adjacent material is new or revised.

- *Monitoring the pipeline for OE-funded obligations for compliance with the forward funding policy for non-program funds (see [ADS 603](#), Forward Funding, Non-Program Funds). In some Missions, this is delegated to the Executive Officer (EXO).
- f. **The Bureau for Policy and Program Coordination, Office of Resource Allocation (PPC/RA)** is responsible for
- Providing Agency policy and procedures on forward funding, funding sources, and [reobligation](#) (see [ADS 601](#), [602](#), [603](#), and Internal Mandatory Reference, [Reobligation Policy](#));
 - Monitoring the Agency's pipeline levels in relation to budget planning; and
 - *Redistributing deobligated funds (recoveries) to the Bureaus (see Internal Mandatory Reference, [Reobligation Policy](#)).
- g. ***[Obligating Officials](#) (Contracting/Agreement Officers, EXOs, AAs, Deputy AAs, Mission Directors, or other individuals with obligating authority - see [ADS 103](#), Delegations of Authority)** are responsible for
- Obligating Agency funds and ensuring that obligations conform to the applicable regulatory requirements. (Note: The Chief, Bureau for Management, Office of Administrative Services, Travel and Transportation Division (M/AS/TT) is the Obligating Official for USAID/W-issued TAs);
 - *In USAID/W, recording obligations (or, in the case of interagency agreements and certain grants, ensuring obligations are recorded) in the procurement system or accounting system. (See [ADS 306](#), Interagency Agreements, and [ADS 308](#), Grants and Cooperative Agreements with Public International Organizations) In field Missions, providing obligation documentation to the Mission Controller for entry into the accounting system;
 - *In USAID/W, deobligating excess balances at the request of the Obligation Manager and recording deobligations (or, in the case of interagency agreements and certain grants, ensuring deobligations are recorded) in the procurement or accounting system. (See [ADS 202](#), Achieving; [ADS 306](#), Interagency Agreements; [ADS 308](#), Grants and Cooperative Agreements with Public International Organizations; and Internal Mandatory Reference, [Deobligation Guidebook](#)) In field Missions, providing authorization documents to the Mission Controller for entry into the accounting system;
 - In field Missions and for awards obligated outside of the Bureau for Management, Office of Procurement (M/OP) in USAID/W, ensuring administrative closeout of awards and deobligation of any residual balances. (See [CIB 90-12](#), Guidance for

Missions – Closing Out [Contracts](#), Grants and Cooperative Agreements; [ADS 306](#), Interagency Agreements; and Internal Mandatory Reference, [Deobligation Guidebook](#));

- In USAID/W, maintaining the official file for obligating documents and supporting documentation;
 - *In USAID/W, in coordination with Obligation Managers, ensuring the availability of funds, use of the proper appropriation account, and the integrity of data recorded in the systems; and
 - *In USAID/W, in coordination with Obligation Managers, ensuring that approvals to deviate from the forward funding policy are documented and maintained in the official file along with the obligating documents. (See [ADS 602](#), Forward Funding of Program Funds, and [ADS 603](#), Forward Funding, Non-Program Funds) In field Missions, in coordination with Obligation Managers, this is the Mission Controller's responsibility for OE funds and the Program Office's responsibility for program funds.
- h. The Bureau for Management, Office of Procurement, Procurement Support Division, Overhead/Special Costs and Close-out Branch (M/OP/PS/OCC) is responsible for**
- Processing contract/award closeouts for awards issued by M/OP and ensuring deobligation of residual balances;
 - *Negotiating indirect cost rates; and
 - *Sending requests to the CTO to ensure that all terms of the award were met prior to closeout.
- i. Obligation Managers (CTOs, [Activity Managers](#), Strategic Objective Team Leaders, EXOs, or others) are responsible for**
- Developing budgets and other documentation that serve as the basis for the obligation of Agency funds (see [ADS 202](#), Achieving);
 - *In USAID/W, ensuring, in coordination with the Administrative Management Services (AMS) or Executive Management Team (EMT) Office for OE funds and the Program Office for program funds, that obligations are consistent with Agency forward funding policies. Ensuring, in coordination with the Obligating Official, that approvals to deviate from the forward funding policy are documented and maintained in the official file along with the obligating documents (see [ADS 602](#), Forward Funding of Program Funds, and [ADS 603](#), Forward Funding, Non-Program Funds);

- *In field Missions, ensuring, in coordination with the Mission Controller for OE funds and the Program Office for program funds, that obligations are consistent with Agency forward funding policies and that approvals to deviate from the forward funding policy are documented and maintained in the official file along with the obligating documents (see [ADS 602](#), Forward Funding of Program Funds, and [ADS 603](#), Forward Funding, Non-Program Funds);
- Continuously monitoring obligated funds and requesting the Obligating Official to deobligate excess or unneeded funds. (See [ADS 202](#), Achieving; [ADS 303](#), Grants and Cooperative Agreements to Non-Governmental Organizations; [CIB 90-12](#), Guidance for Missions – Closing Out Contracts, Grants and Cooperative Agreements; and Internal Mandatory Reference, [Deobligation Guidebook](#));
- In field Missions, providing confirmation to the Controller that residual funds are available for deobligation (Note: EXOs are usually the Obligation Managers for TAs);
- *Developing accruals quarterly based on guidance from the Mission Controller or Bureau for Management, Office of Financial Management (M/FM) (see [ADS 631](#), Accrued Expenditures);
- Administratively approving advances and/or payment vouchers (see [ADS 630](#), Payables Management);
- In USAID/W, in coordination with the Program Office and Obligating Official, ensuring the availability of funds, use of the proper appropriation account, and the integrity of data recorded in the systems; and
- *Notifying the Contracting/Agreement Officer or other Obligating Official of a pending CTO reassignment and ensuring documentation associated with the obligation is transferred to the new Obligation Manager.

***j. Program Offices (USAID/W and Missions) are responsible for**

- Monitoring pipelines of program-funded obligations for compliance with forward funding policies (see [ADS 602](#), Forward Funding of Program Funds);
- *Monitoring the status of deobligations using the deobligations report generated by the accounting system and coordinating the reprogramming of recoveries to the deobligating office within the Bureau or Mission;
- *In USAID/W, coordinating at least an annual Bureau-wide review of all unexpended balances for possible deobligation. In the Mission, this is the Controller's responsibility. (See [ADS 602](#), Forward Funding of Program Funds);

[ADS 202](#), Achieving; and Internal Mandatory Reference, [Deobligation Guidebook](#));

- *In field Missions, in coordination with the Mission Controller, ensuring the use of the proper program appropriation account; and
 - *In field Missions, in coordination with the Controller, monitoring the crosswalk of projects to SOs.
- *k. In USAID/W, AMS or EMT Offices, Management Bureau Cost Centers, and Independent Offices that manage only non-program funds, and the EXO Office in field Missions, the Obligor Official is responsible for**
- *Monitoring pipelines of OE-funded obligations (e.g., credit card orders, [Miscellaneous Obligation Documents \(MODs\)](#) TAs, training orders) for compliance with the Agency's non-program forward funding policy (see [ADS 603](#), Forward Funding, Non-Program Funds);
 - *Performing at least an annual review of all unexpended balances for possible deobligation (see [ADS 202](#), Achieving); and
 - *In coordination with the Obligor Manager (e.g., CTO), the designated Obligor Official is responsible for deobligating excess or unneeded OE funds obligated in the accounting system (see [ADS 202](#), Achieving, and Internal Mandatory Reference, [Deobligation Guidebook](#)).

621.3 POLICY DIRECTIVES AND REQUIRED PROCEDURES

621.3.1 Financial Documentation Responsibilities

Financial documentation is any documentation that impacts on or results in financial activity. It is not limited to documentation within Controllers' or FM operations, but includes any source material causing or resulting in a financial transaction. CTOs, Loans/Grants Officers, SO teams, etc., are responsible for retaining financial documentation and ensuring its availability for audit.

Basic financial documentation retention rules follow:

- If an action will result in a financial transaction, it must be documented;
- Source documentation must be readily available for audit (by either the Office of Inspector General or a responsible audit entity);
- *The general rule of thumb for retention of financial documents is seven years; however, retention times may vary, so please refer to retention by document type in [ADS 502](#), The USAID Records Management Program. The specific financial

Records Disposition Schedules are located in the Mandatory Reference Section of ADS 502, under Records Disposition Schedule, USAID/W, Chapter 15, Fiscal Management Records; and Records Disposition Schedule, USAID, Chapter 35, Financial Management Records. See also the National Archives and Records Administration (NARA) General Records Schedules, GRS 6, Accountable Officers' Account Records; and GRS 7, Expenditure Accounting Records.

621.3.2 Valid Obligations

A valid obligation is (1) supported by written evidence; (2) for a purpose authorized by law; (3) executed by an individual who is authorized to incur an obligation; (4) required to fill a bonafide need in the [period of availability](#) of the appropriation or fund used; and (5) executed during the period of availability of the funds. The validity of an obligation is determined at the time of its execution and is not affected by its currently assessed status as either expired or excessive.

As stated in 31 U.S.C. Section 1501(a), "An amount shall be recorded as an obligation of the United States Government only when supported by documentary evidence of:

- a. A binding agreement between the Agency and another person or entity (including an Agency) that is:
 - 1. In writing, in a way and form, and for a purpose authorized by law; and
 - 2. Executed before the end of the period of availability for obligation of the appropriation or fund used for specific goods to be delivered, real property to be bought or leased, or work or service to be provided;
- b. A loan agreement showing the amount and terms of repayment;
- c. An order required by law to be placed with the Agency;
- d. An order issued under a law authorizing purchases without advertising:
 - 1. When necessary because of public exigency;
 - 2. For perishable subsistence supplies; or
 - 3. Within specific monetary limits.
- e. A grant or subsidy payable:
 - 1. From appropriations made for payment of, or contributions to, amounts required to be paid in specific amounts fixed by law or under formulas prescribed by law;

- 2. Under an agreement authorized by law; or
- 3. Under plans approved consistent with and authorized by law;
- f. A liability that may result from pending litigation;
- g. Employment or services of persons or expenses of travel under the law;
- h. Services provided by public utilities; or
- i. Other legal liability of the Government against an available appropriation or fund.” (See [31 U.S.C. Sec. 1501\(a\)](#))

621.3.3 Commitment of Funds

Commitments or subcommitments must be established to set aside funds prior to obligation or subobligation. In USAID/W, designated staff must commit funds in the procurement or accounting system. The Controller or his/her designee must commit or subcommit funds for Mission obligations.

621.3.4 Types of Obligations and Documentary Evidence

The most common types of obligations and subobligations, as well as the minimum documentation required to establish each as a valid obligation, are outlined below. One or more authorized individuals must sign the obligating document within the appropriation’s period of availability. This list is not intended to be all-inclusive. Questions regarding other obligating documents and the minimum documentation required to establish a valid obligation may be directed to the Office of the Chief Financial Officer.

a. Grants to Foreign Governments: A grant by USAID to a foreign government may take the form of a Strategic Objective Agreement, Limited Scope Agreement, Commodity Import Program Grant, or Cash Transfer Grant. The minimum documentation required for establishing for validity is the grant agreement. The grant agreement must be signed by both parties to be an obligation unless the major purposes, funding, and terms and conditions are settled. In this case, only a USAID signature is required. (See [ADS 350](#), Grants to Foreign Governments, for more information.)

b. Assistance Awards to Non-Governmental Organizations (NGOs): Assistance to NGOs may be provided in the form of a grant or cooperative agreement. The minimum documentation required for establishing validity is the grant agreement or cooperative agreement. Only a USAID signature is required for an assistance award to be an obligation unless there are major issues that are unresolved between USAID and the grantee, in which case both parties must

sign the award. (See [ADS 303](#), Grants and Cooperative Agreements, for more information on assistance awards to NGOs.)

***c. Contracts:** A contract for the purchase of supplies or services may take the form of awards and notices of awards, job orders or task letters issued under basic ordering agreements, letter contracts, fixed price contracts, cost-reimbursable contracts, POs, etc. The minimum documentation for contracts other than POs required for a valid obligation are the contract documents, signed by both parties. For POs, a copy of the PO is the minimum documentation. POs are often signed only by the government and need not be signed by the contractor if the contractor is accepting the "offer" of the PO by performing or if the PO is an "acceptance" of an offer by the contractor (e.g., ordering supplies from a catalogue of a vendor that routinely sells to the government). It may be necessary near the end of the fiscal year to get written acceptance if performance will not begin until after the end of the fiscal year or to note to the file that the PO is an acceptance of the contractor's offer. (See [ADS 302](#), Direct Contracting, for more information on contracts.)

***d. Interagency Agreements:** An agreement with another Federal agency may be in the form of a Participating Agency Program Agreement (PAPA), Participating Agency Service Agreement (PASA), or Non-PAPA/PASA Interagency Agreement. The minimum documentation required for a valid obligation is the form [AID 306-1](#) (PAPA), form [AID 306-2](#) (PASA), or an interagency agreement signed by both parties. (See [ADS 306](#), Interagency Agreements, for more information.)

e. Procurement Authorization (PA): The PA is used to obligate ocean and inland freight. The minimum documentation for a valid obligation is the form [AID 1160-4](#), Procurement Authorization.

f. Travel Authorizations/Orders (TAs): Official travel and transportation expenses for the movement of effects are obligated with form [AID 5-8](#), Request and Authorization of Official Travel. The minimum documentation required for a valid obligation is the AID 5-8. (See [ADS 522](#), Performance of Temporary Duty Travel in the U.S. and Abroad, and [ADS 633](#), Financial Management Aspects of Temporary Duty Travel, for more information.)

g. Training Orders: Employee training through an external vendor is authorized on [Standard Form \(SF\) 182](#), Request, Authorization, Agreement, and Certification of Training. The minimum documentation required for a valid obligation is the SF-182.

h. U.S. Government Bill of Lading: The bill of lading may be used to obligate funds for the shipment of things (except the shipment of employee household effects or privately owned automobile, for which the [TA](#) is the

obligating document). The minimum documentation required for a valid obligation is the form SF-1103, U.S. Government Bill of Lading.

i. Credit Card Orders: Purchases on the Government Purchase Authorization Card are obligated on the form [AID 530-3](#), Credit Card Purchases Transaction Form. The minimum documentation required for a valid obligation is the AID 530-3. (See [ADS 331](#), Small and Micro Purchases in USAID/W, for more information on credit card purchases.)

j. Building Support Services: Funds are obligated for building services provided by the General Services Administration (GSA) on a [GSA Form 2957](#), Reimbursable Work Authorization. The minimum documentation required to establish validity is the GSA Form 2957. (See [ADS 519](#), Building Support Services, for more information.)

k. Miscellaneous Obligation Documents (MODs): The MOD may be used to record obligations of a recurring and/or continuing nature, such as communication services, public utilities, and rent. It is also used for costs such as interest penalty payments, taxis, dispatch agent obligations, interpreter services, or training services from another government agency. Some miscellaneous obligations are based on other agreements, such as for International Cooperative Administrative Support Services (ICASS) services. The minimum documentation required for a valid obligation is the form [AID 7-7](#), Miscellaneous Obligations.

621.3.5 Authority to Incur Obligations

Only individuals who have delegated authority may incur obligations on behalf of the Agency. Obligations incurred by unauthorized individuals may result in personal liability. The delegations of authority to obligate USAID funds are provided in the Automated Directives System (ADS), USAID Acquisition Regulations (AIDAR), Mission Orders, position descriptions, and other sources of authorities. (See [ADS 103](#), Delegations of Authority)

621.3.6 Recording Obligations

*Once the required documentary evidence is complete as outlined in [621.3.2](#) and [621.3.4](#), obligations must be promptly recorded by the Obligating Official (or obligation recorder for interagency agreements and certain grants) or the Mission Controller in the procurement or accounting system. In USAID/W, Obligating Officials, in coordination with Obligation Managers, must ensure the availability of funds, use of the proper appropriation account, and the integrity of data recorded in the systems. In field Missions, the Mission Controller must ensure the availability of funds, proper use of the appropriation account (in coordination with the Program Office), and the integrity of data recorded in the accounting system.

621.3.7 Estimated Obligations

Obligating Officials must use the best possible estimate to establish an obligation if the final amount of the obligation is not known at the time it is incurred. An [upward adjustment](#) or deobligation must be made when the actual amount is determined and it is different than the estimate amount.

When an estimate is used, the basis for the estimate and the computation must be documented by the Obligating Official and retained as part of the official Agency record.

621.3.8 Forward Funding

Obligations must be consistent with Agency forward funding guidelines as outlined in [ADS 602](#), Forward Funding of Program Funds, and [ADS 603](#), Forward Funding Policy, Non-Program Funds. In USAID/W, Obligating Officials, in coordination with Obligation Managers, must ensure that approvals to deviate from the forward funding policy are documented and maintained in the official file along with the obligating documents. In field Missions, in coordination with Obligation Managers, this is the Mission Controller's responsibility for OE funds and the Program Office's responsibility for program funds.

***621.3.9 Deobligation and Reobligation**

*Obligated funds must be deobligated when a determination is made that the funds are no longer needed for the purposes for which they were obligated or the funding exceeds forward funding guidelines without proper authorization. Generally, the Obligating Official must deobligate the funds.

In limited cases, such as when TAs or POs have residual fund balances (in field Missions), the Mission Controller or his/her designee has the authority to deobligate residual funds without any action by the Obligating Official. The Obligation Manager (such as the CTO) may request the deobligation, or the Controller's Office may deobligate those residual funds after obtaining the Obligation Manager's clearance or if it has sufficient evidence on hand to document that the purpose of the obligation has been accomplished.

A proper and unliquidated obligation should not be deobligated unless there is some valid reason for doing so. Absent a valid reason, it is improper to deobligate funds solely to "free them up" for new obligations. To do so risks violating the Antideficiency Act. For example, where a government check issued in payment of some valid obligation cannot be promptly negotiated, (if, for example, it is returned as undeliverable), it is improper to deobligate the funds and use them for new deobligations. An Antideficiency Act violation would occur if the payee of the original check subsequently shows up and demands payment but the funds are no longer available because they have been reobligated and the account contains insufficient

*An asterisk indicates that the adjacent material is new or revised.

funds. (See GAO Principles of Federal Appropriations Law, Chapter 7, Obligation of Appropriations, pages 7-52, and [ADS 634](#), Administrative Control of Funds).

Funds deobligated within the initial period specified in the [appropriations act](#) remain available for new obligations within the period.

*[Section 511](#) of USAID's appropriations act for FY 2002 contains a provision that funds appropriated for the purposes identified in Section 511 remain available for an additional four years from the date on which the availability of such funds would otherwise have expired, if such funds are initially obligated before the expiration of their respective periods of availability. [This language is a deviation from prior Section 511 and/or Section 517 language that converted [obligated balances](#) from annual or multi-year into "NoYear" or "X" appropriations to designate the funds as "available until expended."]

*In other words, beginning October 1, 2002, appropriated funds obligated by September 30th of the end of the period of availability will be available for four additional years of reobligation (for new obligations), that is, they will be moved into appropriations with an appropriation designation that is four years longer than the original designation. The funds under these new appropriations will be subject to "M Account" legislation and can therefore be disbursed for five years after expiration of the appropriation. The unobligated funds will be retained in the original appropriation and will remain available for valid upward adjustments only (i.e., not new obligations) for an additional five fiscal years beyond expiration. (Note: All FY 2001 appropriations, including multi-year 2001/2002 appropriations, will continue to be subject to the "X" conversions at fiscal year-end.)

Section 511 availabilities must be apportioned and follow the normal funds control process prior to reobligation. The Section 511 authority must be renewed annually unless otherwise specified in the appropriations act. (See Internal Mandatory References, [Deobligation Guidebook](#) and [Reobligation Policy](#))

621.3.10 Upward Adjustments of Obligations

An upward adjustment of an obligation may be made from current-year or prior-year funds based on the following criteria:

a. Current-Year Appropriation

An upward adjustment in a current-year obligation is authorized to the extent that

- (1) There is a lawful need for the increase;
- (2) Funds for the purpose are available; and
- (3) Appropriate program approval has been received.

*An asterisk indicates that the adjacent material is new or revised.

*An upward adjustment may require an amendment to the original obligating document. Obligations, such as TAs and POs for freight, are recorded on the basis of an estimate. As more precise data becomes available, the obligation may be adjusted without amending the original obligating document unless there has been a change in the scope (e.g., additional travel days, additional stops, etc.). The Obligating Official must be consulted regarding the need for an amendment if the initial obligation was not recorded on the basis of an estimate. In some cases, such as with balances from TAs or POs (in field Missions), the Mission Controller may delegate authority to deobligate funds to other individuals.

b. Prior-Year Appropriation

*Appropriations that were not obligated during the initial period of availability specified in the annual appropriations act (commonly referred to as [expired accounts](#)) remain available for an additional five fiscal years beyond expiration. Missions must transmit these expired accounts to USAID/W.

Expired accounts may be used for upward adjustments in instances where the original obligation was recorded on the basis of an estimate, such as with travel, or the increased cost would have constituted a valid obligation if it had been known during the fiscal year in which the original obligation was incurred. Unobligated prior-year funds may not be used to cover the cost of a change in scope, such as additional goods or services.

Cost increases for goods or services under a Strategic Objective Agreement (SOAG) may not be treated as an upward adjustment of a prior-year obligation, since the total amount set forth in the SOAG is the maximum monetary contribution the United States is obligated to make. Additional services or materials required to complete the activities must be provided for in current-year funds.

The Bureau for Management, Office of Financial Management, Central Accounting and Reports Division (M/FM/CAR) must be consulted to determine the availability of prior-year unobligated funds for upward adjustments.

It may be necessary to use Section 511 recoveries for upward adjustments. Missions are authorized to record prior-year upward adjustments to the extent that offsetting deobligations can be generated against the same budget allowance within the same accounting period. M/FM/CAR must be consulted if the upward adjustment will exceed available offsets.

621.3.11 Operating Under a Continuing Resolution

The purpose of a [Continuing Resolution \(CR\)](#) is to allow for the continued operation of the Agency at the beginning of a new fiscal year until a new appropriation is passed by

Congress and becomes law. The CFO will provide specific guidance on the obligation of funds during a Continuing Resolution.

621.3.12 Review of Obligations

Unliquidated obligations must be monitored to ensure that the level of funding is consistent with Agency forward funding guidelines and that balances are deobligated when no longer needed for the purposes for which they were initially obligated. A careful review of unliquidated obligations strengthens the Agency's internal controls by deleting from the accounting system balances that are no longer required for future payments and helps to identify funds that can be reprogrammed for current requirements. In addition, the review supports the Agency's formal year-end certification to the Department of Treasury.

Obligation Managers must continuously review the status of obligated funds and request deobligations when a determination is made that the funds are no longer needed to accomplish activity objectives or the funding exceeds forward funding guidelines without proper authorization. The Contracting/Agreement Officer must record deobligations in the procurement system and the Obligor Official or individuals with delegated responsibility must record deobligations in the USAID/W accounting system. Mission Controllers generally record deobligations in the Mission accounting system.

*Program and AMS or EMT Offices in USAID/W and Mission Controllers must coordinate an annual review of obligation balances to verify that excess and unneeded balances have been identified and deobligated. This can be done on a quarterly basis, in conjunction with accruals of expenditures. (See [ADS 631](#), Accrued Expenditures)

621.3.13 Circumstances That May Result in Excess Funding

In conducting reviews of obligations to identify funds that must be deobligated, Obligor Managers and others involved in the review process must consider the following circumstances, which could result in excess or unneeded obligation balances:

- a. Situations where the activity budget exceeds what is necessary to meet activity objectives, for example:
 - (1) When the originally planned activity has been or can be accomplished with less than the funds budgeted; the activity has been reduced in scope (modified, amended, restructured, terminated); the focus has changed; or the activity has been transferred to another activity and will not be carried out as planned; or
 - (2) When significant fund balances will remain at the completion date due to slow or non-implementation of activities and extending the date

*An asterisk indicates that the adjacent material is new or revised.

may be unjustified considering other priorities and the marginal benefits expected from continuing the activity.

b. Situations involving troubled and marginally progressing activities where

- (1) The activity has gone off course and is no longer effective or is not meeting objectives;
- (2) The activity has had serious longstanding (two years or more) implementation problems;
- (3) Activity implementation progress is deemed to be excessively slow;
- (4) Delays in implementation preclude achievement of the activity purpose;
- (5) There have been extended delays in accomplishing initial implementation actions, such as meeting conditions precedent or inability to reach agreement on final design of the activity;
- (6) The activity is seriously under-achieving critical outputs such that the attainment of activity objectives appears unlikely;
- (7) There has been an unfavorable change in the activity purpose assumptions;
- (8) Mistaken environmental assumptions for the activity result in marginal progress or effectiveness;
- (9) The cooperating country has failed to use the funds and provide required management attention to the activity;
- (10) Demand for activity funds did not materialize to the degree and over the time frame envisioned in the activity agreement (especially applicable to private enterprise-type activities);
- (11) The activity is deemed unlikely to be sustained by the host country upon completion;
- (12) The activity cannot be completed on time because of uncontrollable circumstances, such as continuing hostilities in the activity area; or
- (13) The activity no longer conforms to Agency policies and goals or country and sector strategy, and redesign of the activity proves unsuccessful or not worth the effort.

c. The following situations may also reflect that remaining balances are no longer needed:

- (1) There is an unliquidated balance that has remained unchanged for 12 months or more and no evidence of receipt of services/goods during that same 12-month period;
- (2) A TA was issued six months or earlier and a balance remains;
- (3) A private training vendor has not provided a bill within six months of training dates;
- (4) Funds remain on a MOD for more than 12 months after the planned completion date; or
- (5) The final travel voucher for home service transfer allowances has been submitted and paid.

***621.3.14 Annual Certification of Validity of Obligations**

Assistant Administrators (AAs), Management Bureau Office Directors (with Obligor Officials in the office), Independent Office Directors (with Obligor Officials in the office), and Mission Controllers must ensure that obligor documents meet the criteria for valid obligations. These individuals must provide an annual certification to the CFO regarding the obligations incurred during the fiscal year. The certification must state the following:

“I certify that all (Bureau, Office, or Mission) obligations incurred during the fiscal year are (1) consistent with the requirements of ADS 621.3.2 and 31 U.S.C. 1501(a); (2) have been recorded in the Agency accounting or procurement system; and (3) are supported by adequate records maintained in accordance with Agency guidelines for record retention.”

In the event that an obligation does not meet these requirements, the certification must read as follows:

“I certify that, with the exception of the obligations noted in the attachment, (Bureau, Office, or Mission) obligations incurred during the fiscal year are (1) consistent with the requirements of ADS 621.3.2 and 31 U.S.C. 1501(a); (2) have been recorded in the Agency accounting or procurement system; and (3) are supported by adequate records maintained in accordance with Agency guidelines for record retention.”

The attachment should provide a list of the obligations that do not meet the requirements and an explanation. For any unrecorded obligations, the listing must

include the obligation number, date signed, fund account and allowance, amount obligated, and the reason it was not recorded in the procurement or accounting system.

AAs must certify only those funds obligated in USAID/Washington, since Mission Controllers certify Mission obligations. In addition, AAs certify only those funds obligated in their Bureau (e.g., not M/OP or travel obligations).

*The certification must be addressed (not sent) to the CFO and sent to M/MPI by the most efficient means for the sender (scanned signed copy attached to an e-mail, fax, or hard copy). The due date for the certification is established by the CFO on an annual basis, but is generally during the month of October. This deadline must be met in order to allow for completion of final auditable financial statements for the fiscal year.

621.3.15 Annual Certification of Unexpended Balances

*AAs, Independent Office Directors, and Mission Directors must certify annually whether unexpended balances are necessary for both on-going and expired programs and whether the amount of funding is consistent with Agency policies on forward funding in [ADS 602](#), Forward Funding of Program Funds, and [ADS 603](#), Forward Funding, Non-Program Funds. The certification must be in one of the following forms, whichever is applicable:

- a. “I have directed a review of unexpended obligation balances and hereby certify that the balances are needed in the activities for which they were obligated and that the amount of funding is consistent with Agency guidelines for forward funding.”
- b. “I have directed a review of unexpended obligation balances and identified funds that are either no longer needed in the activities for which they were obligated or are inconsistent with Agency policies on forward funding. I hereby certify that steps have been taken to deobligate unneeded funds and that the annual budget request takes into consideration excess funding currently obligated so as to bring funding levels back into compliance with forward funding policies.”

*The certification must be addressed (not sent) to the CFO and sent to M/MPI by the most efficient means for the sender (scanned signed copy attached to an e-mail, fax, or hard copy). The due date for the certification is established by the CFO on an annual basis, but is generally during the month of October. This deadline must be met in order to allow for completion of final auditable financial statements for the fiscal year.

621.3.16 External Reporting Requirements

The CFO must certify that obligation balances reflect proper existing obligations and that expenditures were supported by a proper obligation of funds and meet the criteria of 31 U.S.C 1501(A). This certification states the following:

“Pursuant to authority vested in me, I transmitted to the Financial Management Service of the Department of Treasury, by electronic means, my certification that the obligation balances in each appropriation account of the agency reflect proper existing obligations and that expenditures from the account since the preceding review were supported by a proper obligation of funds and otherwise meet the criteria of 31 U.S.C. 1501(A). In doing so I submit my electronic certification.”

The certification must accompany the electronic submission of the TFS 2108, Year-End Closing Statement, which breaks out the unpaid obligations by undelivered orders and accounts payable, reflecting pipeline on both an accrued basis and a cash basis. The due date for the certification is established by the Department of Treasury on an annual basis, but is generally during the month of November.

621.4 MANDATORY REFERENCES

621.4.1 External Mandatory References

- *a. GAO Principles of Federal Appropriations Law: Volume II, Chapter 7, Obligation of Appropriations [To obtain this document, go to www.gao.gov and enter GAO Report No. GAO-OGC-92-13]
- *b. [OMB Circular A-11, Preparation, Submission, and Execution of the Budget, Part 1, General Information](#)
- *c. [Treasury Financial Manual, Volume 1, Part 2, Chapter 4200, Agency Reports on Unexpended Balances of Appropriations and Funds \(FMS Form 2108: Yearend Closing Statement\)](#)
- d. [31 U.S. Code \(U.S.C.\) 1108 – Preparation and Submission of Appropriations Requests to the President](#)
- e. [31 U.S.C. 1301 - Application](#)
- f. [31 U.S.C. 1341 - Limitations on Expending and Obligating Amounts](#)
- *g. [31 U.S.C. 1501\(a\) – Documentary Evidence Requirement for Government Obligations](#)
- h. [31 U.S.C.1502 – Balances Available](#)
- i. [31 U.S.C. 1552 – Procedures for Appropriation Accounts Available for Definite Periods](#)
- j. [31 U.S.C. 1554 – Audit, Control and Reporting](#)

*An asterisk indicates that the adjacent material is new or revised.

621.4.2 Internal Mandatory References

- a. [ADS 103, Delegations of Authority](#)
- b. [ADS 302, Direct Contracting](#)
- c. [ADS 303, Grants and Cooperative Agreements](#)
- d. [ADS 306, Interagency Agreements](#)
- e. [ADS 331, Small and Micro Purchases in USAID/W](#)
- f. [ADS 350, Grants to Foreign Governments](#)
- g. [ADS 502, The USAID Records Management Program, Mandatory References: the Records Disposition Schedules Appendix 6A, Chapter 15; Appendix 6B, Chapter 35 and the General Records Schedule](#)
- h. [ADS 519, Building Support Services](#)
- i. [ADS 522, Performance of Temporary Duty Travel in the U.S. and Abroad](#)
- j. [ADS 601, Funding Source Policy](#)
- k. [ADS 602, Forward Funding of Program Funds](#)
- l. [ADS 603, Forward Funding, Non-Program Funds](#)
- *m. [ADS 631, Accrued Expenditures](#)
- *n. [ADS 633, Financial Management Aspects of Temporary Duty Travel](#)
- *o. [ADS 634, Administrative Control of Funds](#)
- *p. [CIB 90-12 – Guidance for Missions -- Closing Out Contracts, Grants and Cooperative Agreements](#)
- *q. [Deobligation Guidebook](#)
- *r. [Guidebook for Managers and Cognizant Technical Officers on Acquisition and Assistance](#)
- *s. [Reobligation Policy](#)

621.4.3 Mandatory Forms

*An asterisk indicates that the adjacent material is new or revised.

- a. [GSA Form 2957, Reimbursable Work Authorization](#)
- b. [SF-182, Request, Authorization, Agreement and Certification of Training](#)
- *c. SF-1103, U.S. Government Bill of Lading [Note: GSA states: "This is an Accountable Form which cannot be placed on the website. It can be ordered by calling Federal Supply customer assistance (817) 978-2051."]
- d. [Form AID 5-8, Request and Authorization of Official Travel](#)
- e. [Form AID 7-7, Miscellaneous Obligation Document](#)
- *f. [Form AID 306-1, PAPA](#)
- *g. [Form AID 306-2, PASA](#)
- h. [Form AID 530-3, Credit Card Purchases Transaction Form](#)
- *i. [Form AID 1160-4, Procurement Authorization](#)

621.5 ADDITIONAL HELP

- *a. [Help Guide – FAQs on Monitoring Obligations](#)

621.5.1 Optional Forms

621.6 DEFINITIONS

Activity Manager

Member of a Strategic Objective (SO) Team or sub-team who is responsible for the day-to-day management of one or more specific activities. The Activity Manager is selected by the SO Team, and may or may not also have the delegated authorities of a [Cognizant Technical Officer \(CTO\)](#), whose authority to carry out contract management functions is designated by a Contracting/Agreement Officer. (See "Cognizant Technical Officer (CTO)") (Chapters 200-203, 303, 306, 591, 592, 621)

Appropriation

A form of [budget authority](#) provided by law that permits Federal agencies to incur obligations and to make payments out of the Treasury for specified purposes. (JFMIP) (Chapters 621, 634)

Appropriations Act

A statute, under the jurisdiction of the House and Senate Committees on Appropriations, that generally provides legal authority for Federal agencies to incur

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obligations and make payments out of the Treasury for specified purposes. (Chapter 621)

***budget authority**

The authority provided in Federal law to incur financial obligations that will result in outlays. (Chapter 621)

Cognizant Technical Officer (CTO)

The individual who performs functions that are designated by the Contracting/Agreement Officer, or are specifically designated by policy or regulation as part of contract or assistance administration. (See "Activity Manager") (Chapters 200-203, 303, 306, 621, 631)

commitment

An administrative reservation of funds in anticipation of their obligation. (Chapter 621)

Continuing Resolution (CR)

A CR is an "appropriation" for the entire fiscal year(s), pending enactment of a regular appropriation, but subject to time limitations as to how long it remains in effect. (Chapters 603, 621, 634)

***contract**

A mutually binding legal instrument in which the principal purpose is the acquisition, by purchase, lease, or barter, of property or services for the direct benefit or use of the Federal government, or in the case of a host country contract, the host government agency that is a principal, signatory party to the instrument. (Chapters 302, 304, 305, 621)

deobligation

The cancellation or downward adjustment of a previously recorded obligation. (Chapter 621)

***expired account**

An account for which authority to incur new obligations has ended. Expired accounts are maintained by fiscal identity for five years. During the five-year period, obligations may be adjusted if otherwise proper and outlays may be made from accounts. (Chapter 621)

***expired obligation**

The expiration or "end" date of an obligation document. **(See "obligation")** (Chapter 621)

forward funding (program funds)

The availability of funds to support future expenditures for a specified time period after a planned obligation. This definition of forward funding applies to the use of program funds. (Chapters 602, 621)

forward funding (non-program funds)

Obligating, from current year funds, amounts to cover the cost of goods and/or services to be received/provided in a subsequent fiscal year. Rules for forward funding will vary somewhat depending on the goods/services under consideration. See Chapter 602 for definition as it relates to program funds. (Chapters 603, 621)

***Miscellaneous Obligation Document**

The Miscellaneous Obligation Document (MOD) may be used to record obligations of a recurring and/or continuing nature, such as communications services, public utilities, and rent. It is also used to obligate funds for the purchase of goods and services associated with International Cooperative Administrative Support Services (ICASS), medical services, U.S. dispatch agent, disaster cable, taxi services, interpreter services, training from another government agency, personal property claims, tort claims, and other claims. In addition, it is used for costs such as interest penalty payments. (Chapter 621)

***obligated balance**

The amount of unliquidated obligations applying to an appropriation minus the amount collectible as repayments from other Federal agencies that will be credited to the appropriation or fund as offsetting collections rather than receipts. Amounts that will be credited to receipt amounts will be excluded. (Chapter 621)

obligation

A term of appropriations law that means some action that creates a definite commitment, which creates a legal liability of the government for the payment of funds for specific goods or services ordered or received. It includes a range of transactions, e.g., contracts, grants, loans, guarantees, wages, and travel. (Chapter 621)

Obligation Manager

The individual responsible for managing a specific obligation. The Obligation Manager may be the Cognizant Technical Officer, Activity Manager, Strategic Objective Team Leader, Executive Officer, or other official. (Chapters 202, 303, 603, 621)

Obligating Official

USAID officials with the delegated authority to sign obligating documents. This includes the authority to negotiate, execute, amend, and administer agreements obligating USAID funds. The Obligating Official may be an Agreement Officer, Contracting/Agreement Officer, Executive Officer, Assistant Administrator, Deputy Assistant Administrator, or other official. (Chapters 603, 621)

period of availability

The timeframe specified in the Appropriations Act during which new obligations may be incurred. (Chapter 621)

***reobligation**

The obligation of an amount that has been obligated and deobligated in prior transactions. (Chapter 621)

***residual funds**

The funds remaining in an obligation after the purpose of the obligation has been fully met. (Chapter 621)

***Section 511**

A section of the FY 2002 Foreign Operation, Export Financing and Related Program Appropriations Act which provides that funds appropriated for the purposes identified in Section 511 remain available for an additional four years from the date on which the availability of such funds would otherwise have expired, if such funds are initially obligated before the expiration of their respective periods of availability. (Chapters 621, 634)

***Travel Authorization/Order**

The Travel Authorization/Order (TA) is used to obligate funds for the purchase of goods and services associated with temporary duty (TDY) travel, post assignment travel, retirement travel, Personal Services Contract (PSC) travel, and donated travel. (Chapter 621)

unliquidated obligation balance

An amount that has been obligated but not disbursed/expensed and remains as uninvoiced and/or unpaid. (Chapter 621)

***unobligated balance**

The portion of budget authority that has not yet been obligated. The unobligated balance for unexpired accounts is still available for new obligations. The unobligated balance for expired accounts is not available for new obligations. However, valid obligations may be adjusted, unrecorded obligations may be added, and payments may be made from expired accounts. (Chapters 621, 635)

***upward adjustment**

To increase the amount of a previously recorded obligation when the actual amount is determined and it is larger than the estimated amount. An upward adjustment may require an amendment to the original obligating document. (Chapter 621)

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